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Russia Rejects Further Increases in Export Tariff for Round Wood

Report Categories:

Solid Wood Products

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Report Highlights:

GOR issued Resolution # 1071 that maintains the current export tariff for certain categories of round woods until January 1, 2011. Originally the duties were scheduled to increase three-fold by 2009, however, the final increase has been postponed.

General Information:

SUMMARY:

On December 23, 2009, the Russian Government issued Resolution # 1071, maintaining the export tariff for certain categories of wood products until January 1, 2011. Although the GOR continues to be

committed to gradually increasing export tariffs for low value wood products, the delay in its implementation is attributed to the government priority to support domestic producers. Russia producers have been suffering from the economic downturn as demand for wood has declined worldwide

Text of Resolution #1071 of December 23, 2009

“On Export Customs Tariff for Certain Categories of Wood Products, Exported from the territory of the Russian Federation out of the boundaries of states-members of Agreements of Customs Union”

The Government of the Russian Federation decrees the following:

Include a change into Government Resolution 795 of December 23, 2006, “On Approving export customs tariff for the goods, exported from the territory of the Russian Federation out of the boundaries of states – members of agreements of Customs Union, recognizing that some acts of the Government of the Russian Federation have lost effect (Collection of Laws of the Russian Federation, 2007, Number 1, article 254; Number 7, article 896; Number 16, article 1917; Number 21, article 2511; Number 45, Article 5503; 2008, Number 52, article 6407), and approve the attached export customs rates in regards for certain categories of wood products, exported out of the boundaries of states-members of Customs Union Agreement.

The present Resolution enters into force on January 1, 2010.

Vladimir Putin

Chairman of the Government of the Russian Federation

Approved by Resolution of the Government of the Russian Federation #1071 dated December 23, 2009

Export Customs Rates for Certain Categories of Unprocessed Wood Products, Exported out of the Boundaries of States-Members of Customs Union Agreement

(in percent from customs value or in Euros)

Tariff Code [1]	Item Description	Starting from January 1, 2010	Starting from January 1, 2011
4403 20 110	Logs:		
4403 20 110 1	Not less than 15 cm in diameter, but not more than 24 cm, less than 1 meter in length	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 20 110 2	More than 24 cm in diameter, less than 1 meter in length	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³

440320190	Other:		
4403 20 190 1	Wood in the rough, whether or not stripped of bark, or sapwood, not broken down, less than 15 cm in diameter	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 20 190 9	Other	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 20 310	Logs:		
4403 20 310 1	Not less than 15 cm but not more than 24 cm in diameter, not less than 1 m in length	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 20 310 2	More than 24 cm in diameter, not less than 1 meter in length	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 20 390	Other:		
4403 20 390 1	Wood in the rough, whether or not stripped of bark, or sapwood, not broken down, less than 15 cm in diameter	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 20 390 9	Other	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³

4403 20 910	Logs:		
4403 20 910 1	From other spruce, except for fir spruce " <i>Picea abies</i> Karst.", or from other fir-tree, except for white silver fir (<i>Abies alba</i> Mill.), not less than 15 cm but not more than 24 cm in diameter, not less than 1 meter in length	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 20 910 2	From other spruce, except for fir spruce " <i>Picea abies</i> Karst.", or from other fir-tree, except for white silver fir (<i>Abies alba</i> Mill.), more than 24 cm in diameter, not less than 1 meter in length	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 20 910 3	From other pine, except for common pine " <i>Pinus sylvestris</i> L.", not less than 15 cm but not more than 24 cm in diameter, not less than 1 meter in length	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 20 910 3	From other pine, except for common pine " <i>Pinus sylvestris</i> L.", more than 24 cm in diameter, not less than 1 meter in length	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 20 910 9	Other	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 20	Other:		

990			
4403 20 990 1	Wood in the rough, whether or not stripped of bark, or sapwood, not broken down, less than 15 cm in diameter	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 20 990 9	Other	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
44 03 99	Other:		
4403 99 100 0	From poplar	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 99 300 0	From eucalyptus	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 99 510	Logs:		
4403 99 510 1	not less than 15 cm but not more than 24 cm in diameter, not less than 1 meter in length	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 99 510 2	more than 24 cm in diameter, not less than 1 meter in length	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 99 590	Other:		
4403 99 590 1	Wood in the rough, whether or not stripped of bark, or sapwood, not broken down, less than 15 cm in diameter	0	0
4403 99 590 9	Other	25, but not less than 15 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³
4403 99 950	Other:		
4403 99 950 2	From aspen	10, but not less than 5 Euro for 1 m ³	80, but not less than 50 Euro for 1 m ³

Comments and Media Reports

During Russian-Finnish summit that took place in St. Petersburg on the 25th of October, Prime Minister Vladimir Putin confirmed that Russia will sustain export duties on logs for 2010, and most likely for 2011, at the 2009 level. According to Prime Minister Putin, who is personally a strong opponent to delay in export tariff increase, the delay in creases was a forced measure brought on by the economic downturn and worldwide decline in demand for wood. However, a more likely explanation is that export tariff increase have always been a complaint during EU-Russian consultations on Russia's

WTO accession (specifically with Finland and Sweden) and these countries have put considerable pressure on Russia to suspend duty increases. Putin also noted that despite this decision it is important that Russia adheres to gradually increasing export tariffs for low value wood products with the objective of stimulating domestic processing of wood and to curbing export of unprocessed wood.

Experts believe that not every business will benefit of the continued moratorium for increasing export tariffs. According to the Ilim Timber Industry representative, the measure will negatively impact forest processing companies that export wood to China. In response to the government policy several processing companies have invested in the infrastructure recently, restructuring export portfolio from logs to lumber. However, logging companies in Siberia and the Far East may benefit from the situation since they can continue export unprocessed wood with low export tariff.

According to trade sources, Russian processors lack clusters for wood processing production that would allow waste processing. The waste should go to cellulose production facilities which Russia is also lacking because of the high construction cost for construction cellulose and paper facility estimated at \$120 million.

However, the Russian government continued to be strong opponents to a long-term delay in export tariff increase.

According to Natalia Komarova, Chairman of the State Duma Committee for Natural Resources, implementation of increased export tariff for unprocessed wood “will enable replenish revenues of both federal and regional budgets as the result of tax increases generated from sales of value added products”.

The government official believes that each region has strong potential for value added processing and one of the short-term objectives of the Natural Resources Committee is to work out economic incentives, primarily in tax policy, forest plots rent fees, and customs and tariff regulation that will allow attracting investments for construction processing facilities. Currently the government approved 67 investment projects in 25 regions in Russia. Total estimated annual processing capacity is 54 million m³ of wood.

^[1] The commodities are defined exclusively by codes of the Customs Nomenclature of the Russia’s Foreign Trade Activity (in Russian TN VED).

